

CELLULARONE[®]

FCC Presentation

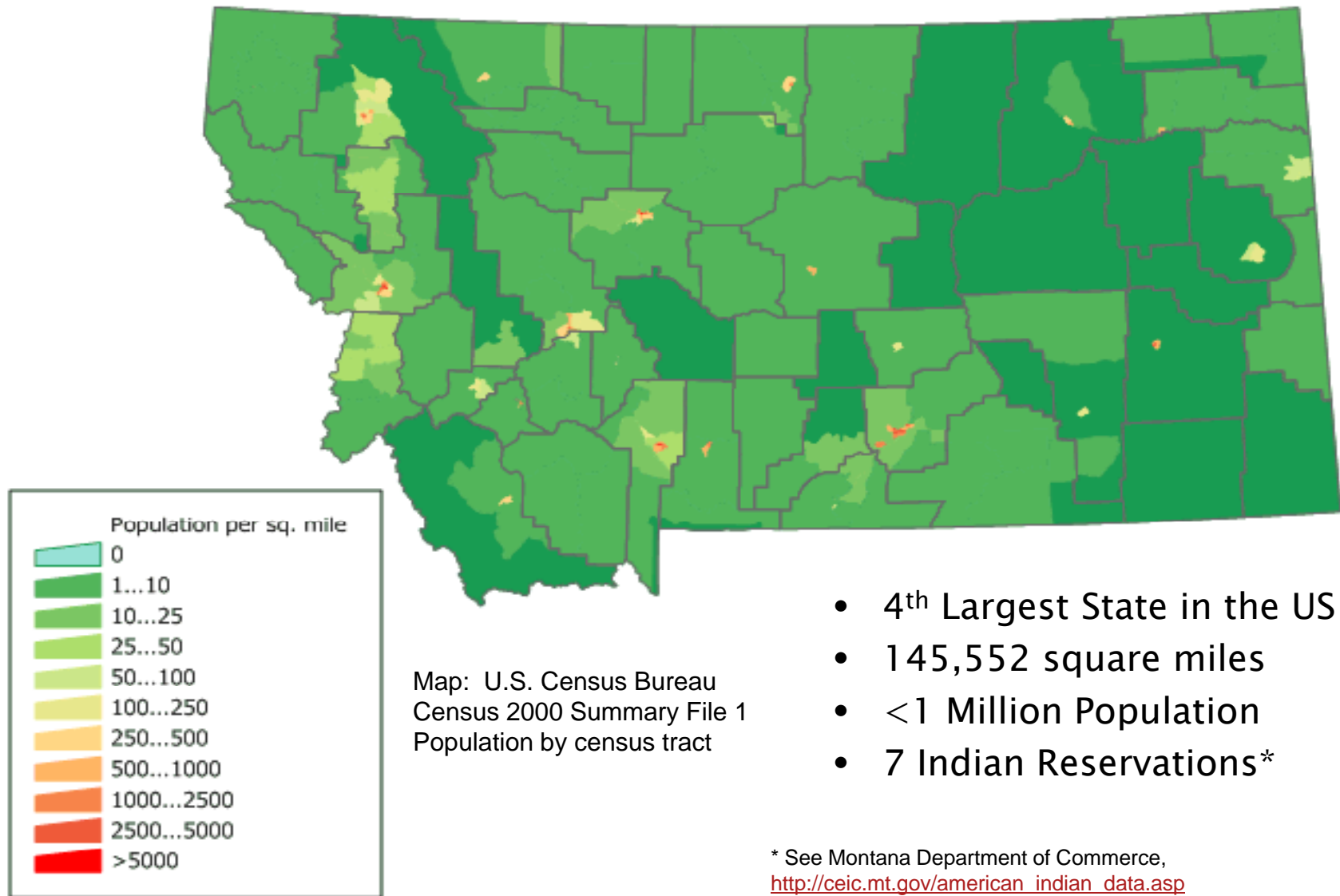
April 1, 2011

Agenda

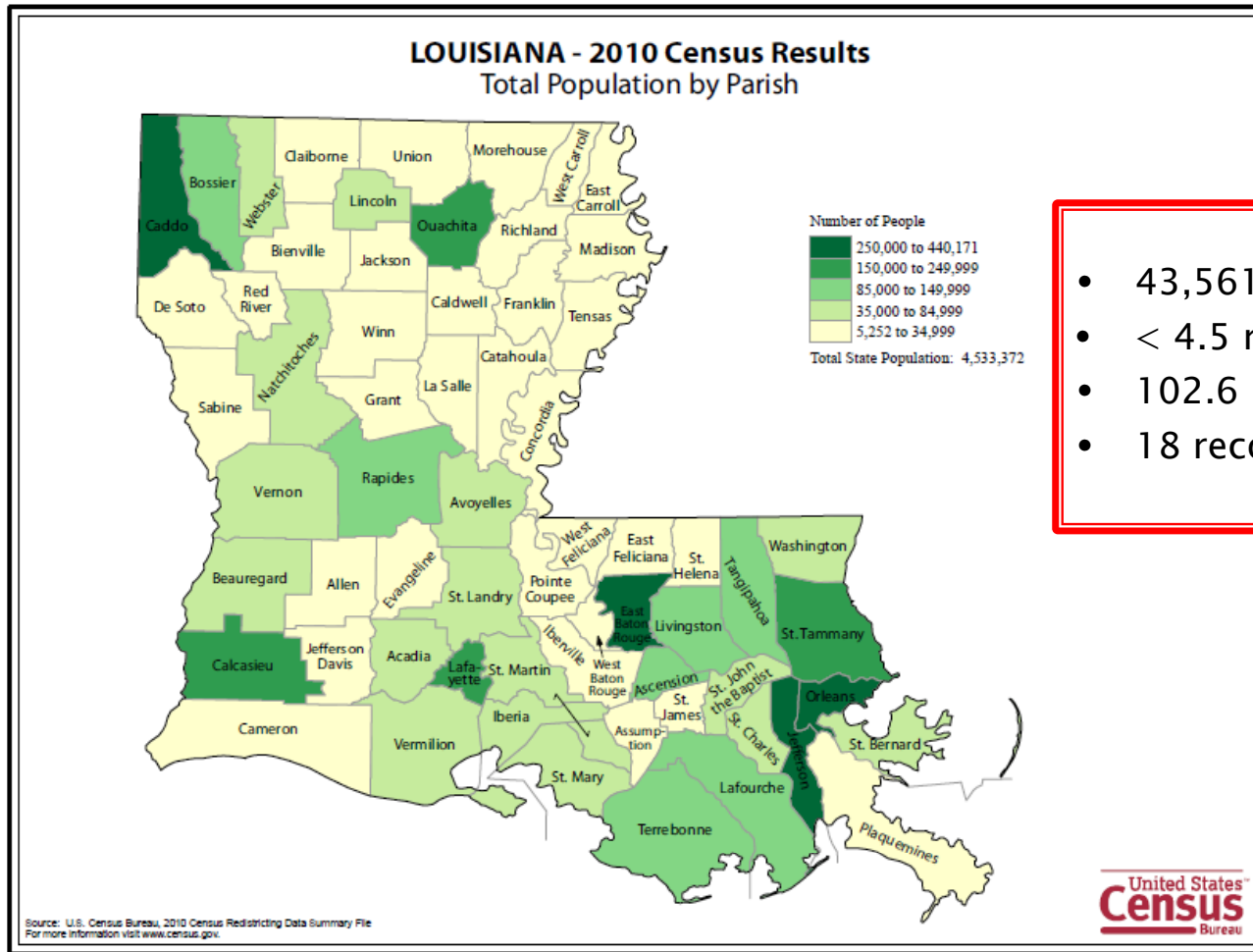
- I. Cellular One Overview, Service Ethic
- II. Cellular One Service Philosophy, Marketing, Sales, Network
- III. Clarifying Perceptions
- IV. Proposals – CAF, Mobility
- v. Company Snapshots



State of Montana



State of Louisiana

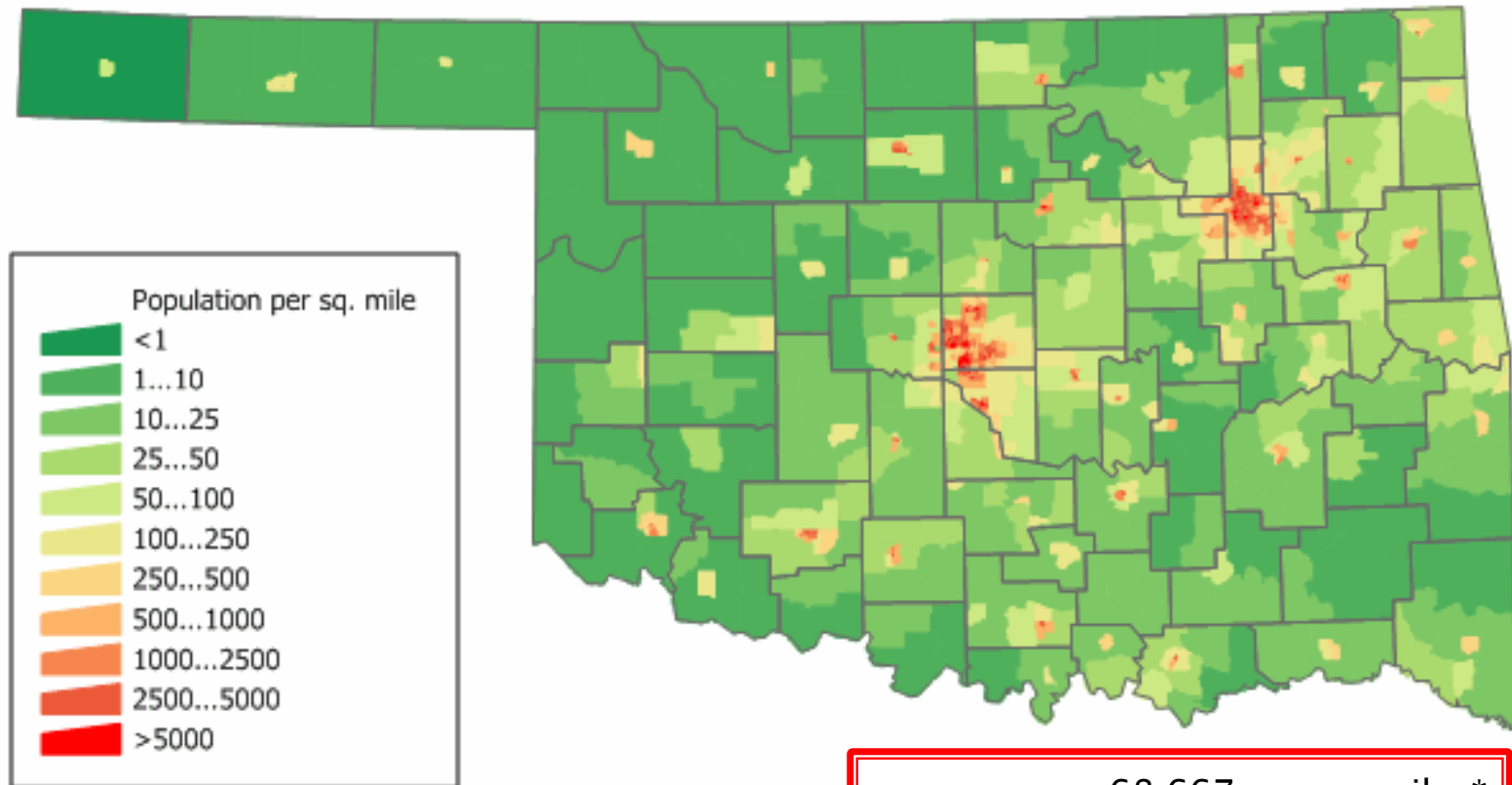


- 43,561 square miles*
- < 4.5 million population*
- 102.6 persons per square mile*
- 18 recognized Tribal Nations**

*U.S. Census 2009 Estimate

** See Louisiana Governor's Office of Indian Affairs,
<http://www.indianaffairs.com/tribes.htm>

State of Oklahoma



Source: U.S. Census
Bureau Census 2000
Summary File 1
Population by Census Tract

- 68,667 square miles*
- < 3.6 million population*
- 50.3 persons per square mile*
- 38 recognized Tribal Nations**

*U.S. Census 2009 Estimate

** See Oklahoma Indian Affairs Commission, List of Tribal Nations,
http://www.ok.gov/oiac/Tribal_Nations/index.html

Cellular One Service Ethic

Market Position

- ▶ Strong market position and focus everywhere we operate
- ▶ Customer-friendly independent operator

Market Presence

- ▶ Quality products, service excellence, and community involvement
- ▶ Greater retail presence and accessibility

Network Performance

- ▶ Operate the highest quality / most reliable network
- ▶ Provide superior coverage

Products and Services

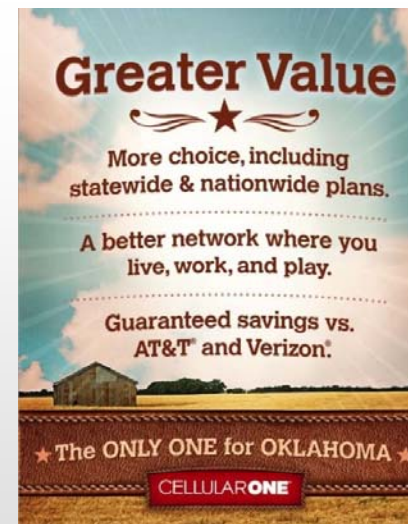
- ▶ “Guaranteed Savings over AT&T and Verizon”
- ▶ Strong handset line-up including Blackberry and Android
- ▶ Tailored local strategy including statewide calling plan offerings – large carriers only have nationwide plans

Customer Service

- ▶ Well trained, service-oriented customer care and sales staff – major differentiator

Service Philosophy and Marketing Examples

- ▶ CellularOne service is tailored to the needs and preferences of the markets we serve
 - **Great Value** – providing high value and guaranteed savings over nationwide carriers
 - **Exceptional Service** – highly trained Retail Trusted Advisors delivering needs based advice and an unmatched customer experience
 - **Trusted Advice** – we stand by our word – important to our customers
 - **Local People** – employees and managers are from and part of the communities we serve.



Real Marketplace Presence

- Retail Sales Locations in Local Markets We Serve

	CELLULARONE®	verizon wireless	at&t	Sprint	••T••Mobile•	U.S. Cellular
Montana	10	6	7	0	0	0
Texas	14	5	1	1	0	0
Oklahoma	3	0	1	0	0	1
Louisiana	7	2	4	1	0	0
All Markets	34	13	13	2	0	1

- Strong agent and business channels – service in the market
- Customer service in McAllen, Texas, and Gaylord, Michigan

Customer Call Centers



Network Overview

Network Assets

- ▶ Cell sites –
- ▶ MGW and MSS Locations –
- ▶ 3G core installed

Coverage and Reliability

- ▶ Coverage leader in many markets. We have the best coverage of otherwise underserved areas such as Butler, Leedey, Hammon, Cheyenne and Reydon, OK. We have the only CDMA network in much of the Texas 11 market.
- ▶ Unique coverage. We cover areas otherwise unserved by wireless, such as Bynum, Avon and Lavina, Montana.
- ▶ We serve thousands of customers on extensive tribal lands, such as Apache Choctaw, Four Winds Cherokee, and the Blackfeet Indian Reservation.
- ▶ Exceptional reliability.
- ▶ Technicians and Engineering management in all markets.



Network Strategy

Support overall company strategy of providing a superior service to our customers.

- ▶ Network performance and reliability
 - Consistent high quality network performance maintained by local technicians results in better performance
- ▶ Coverage
 - Build for coverage with local market knowledge
 - Better quality through network design, local management and technicians
- ▶ Capabilities
 - Offer the features and services customers want, including broadband / 3G
- ▶ Efficient operations
 - Low cost network operations allow us to offer a better value to customers



Clarifying Perceptions

Carrier of Last Resort – CETCs Too Have These Obligations

Wireless CETCs are often Carriers of Last Resort under State PSC rules

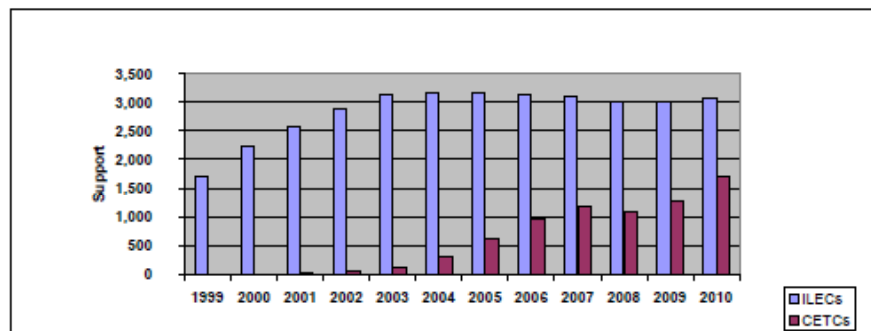
- ▶ In all states where it is a CETC, Cellular One and other CETCs have agreed to assume Carrier of Last Resort obligations.
- ▶ If COLR obligations determine which carriers receive support going forward, all ETCs and CETCs in these states are equally deserving.

Clarifying Perceptions

Funding to CETCs is not “duplicative,” due to portability of CETC support.

- ▶ More CETCs do not equate to more support.
- ▶ If a CETC loses customers, it loses support.
 - Example: USAC disburses support to CETCs serving 10,000 wireless customers in Anytown. That amount remains the same whether there are 2 or 10 CETCs.
 - Support does not climb due to more CETCs entering a market.
 - Support to CETCs increases only when they add new customers by offering services that businesses, public safety organizations and consumers find useful. Extending service to more rural residents is important and meets the goals of the Communications Act and the National Broadband Plan.

Chart 3.2
Total High-Cost Support Fund Payments - ILECs and CETCs
(In Millions of Dollars)



CETC support has risen as customers moved to wireless, but will decrease by approximately \$300 million after the Sprint and Verizon phasedowns.**

* Chart: Federal-State Joint Board on Universal Service, Universal Service Monitoring Report, Chart 3.2 (December 2010).

** *Notice of Proposed Rule Making, In the Matter of Connect America Fund*, WC Docket No. 10-90, FCC 11-13, 76 FR 11632, at 11 & n. 22 (rel. February 9, 2011).

CAF Positions and Proposals

1. We urge the FCC to adopt a Small Business Exemption

- ▶ Real World Costs. Our companies have not sent any profits to investors. Every penny has been invested in infrastructure, along with millions of dollars of private equity and loans. Investors and lenders relied on logical business plans including, in part, “sufficient” support, as guaranteed by 47 U.S.C. § 254. This is not “excessive.” Ours is a lean competitive business providing desired services to low population areas and the funding is necessary. For example, Montana requires us to serve 98% of the population in our designated areas. As another example, operating and maintaining cell sites in Sabine Parish, Oklahoma, which has 27 persons per square mile,* requires committed investment of time and significant resources. These are deserving citizens in low population, and often low income, areas. They should not be abandoned.
- ▶ SBA Definition of a “Small Business”: 1500 employees or less**
- ▶ How a Small Business Exemption Would Work. A small business exemption would continue to provide current support for service to high cost areas, adjusted over time for inflation and customer base growth. This would enable continued service to the public.

* U.S. Census Bureau, Sabine Parish QuickFacts, <http://quickfacts.census.gov/qfd/states/22/22085.html>

** SBA Table of Small Business Size Standards,
http://www.sba.gov/sites/default/files/Size_Standards_Table.pdf

CAF Positions and Proposals, cont'd.

2. Cost Models for Wireline and Wireless Carriers. As an alternative, RCA has proposed a cost model approach. If cost models are constructed that include real world capital and operating expenses of wireless companies, this could be feasible.
- ▶ Any cost model should include allocations of core expenses such as switching center equipment, software, services and support, as well as cell site equipment, software, services and support, construction, rents, utilities, transport, etc. These are unavoidable actual costs of running a wireless network.

“The history of competition in the mobile wireless market suggests that the entry of additional providers has resulted in consumers paying less, receiving new features and better handsets, and enjoying higher quality service.”

– Department of Justice, *Ex parte, In the Matter of Economic Issues in Broadband Competition*, GN Docket No. 09-51 (January 4, 2010).

CAF Positions and Proposals, cont'd.

3. A Tribal Exemption Is Sound Policy. We fully support an exemption that would provide continued support, adjusted for inflation and subscriber growth, for coverage of tribal lands.

- ▶ Residents of tribal lands and all members of Indian Nations, including those living on state-designated tribal or American Indian statistical areas, deserve the ability to continue to receive wireless and wireline communications. Carriers that already have invested effort to serve these communities are logically the most likely to carry out continuing service to tribal lands, having shown previous commitment.



CAF Positions and Proposals, cont'd.

4. The Commission Should Maintain Existing Support Where Population Density And Income Levels Are Low. We urge the FCC to ensure that existing communications networks collectively serving millions of customers, and in-progress broadband deployments, do not disappear from immense areas in the Commission's quest to provide data to additional areas.

- ▶ Great Progress Has Been Made With Broadband. Due to rollout of 3G and current deployment of 4G by AT&T, Verizon and others, much of the nation has been blanketed with broadband since the last time Congress reviewed international comparisons.
- ▶ There is little reason to throw out the window vast rural communications networks (many in the midst of broadband deployments) in high cost, low income areas that often include poor or nonexistent coverage by national carriers, despite claims to the contrary. (As proof, note that national carriers' customers roam on extensive portions of our networks because their own network coverage is insufficient.) Customer oriented carriers are motivated by consumer desires to implement broadband. Cellular One, e.g., is engaged in broadband deployment this year.

CAF Positions and Proposals, cont'd.

- ▶ Accordingly, if the Commission continues with reverse auction plans, we urge that it exempt and continue current support (adjusted over time for inflation and customer growth) for areas where population density renders the area high cost and median income is less than the most recent U.S. Census estimate of the national average. Consumers in remote and lower income areas often have very few, if any, options for coverage, and support is necessary for high cost coverage.

“Healthy competition produces greater innovation and investment, lower prices, and better service.”

- Chairman Genachowski, March 22, 2011

- ▶ For example, in much of Montana, Cellular One is the only wireless carrier providing an alternative to one or two national carriers, with different coverage and calling plans. In some areas, Cellular One is the only carrier providing service. Rural carriers keep pricing and service options reasonable through healthy competition, and meet the needs of customers who need coverage beyond highways and urban areas.

CAF Positions and Proposals, cont'd.

5. Support is necessary even where an unsubsidized carrier exists, to preserve service options, good customer care, and affordable pricing.
- Example 1: In its MT markets, Cellular One offers the only statewide plans and best value family nationwide plans of all wireless carriers.
 - Example 2: Cellular One customer service representatives generally pick up within four rings or less. Customers who call for assistance do not encounter a barrier of infinite recordings and wait times. Our friendly employees answer the call and provide help.
- ▶ Otherwise, phasedowns of support to Verizon and Sprint will result in vast unsubsidized coverage and could lead to far fewer regional telecom companies – even though, as noted by the GAO, such carriers invest a greater percentage of revenues in capex than larger carriers.*
- ▶ One or two operating carriers per market will not provide competitive pricing and service options. “Potential entry” of a licensee with no operations is not a current service option for consumers and should not be a component of competitive analysis of a market area.

* GAO Report, Telecommunications, Enhanced Data Collection Could Help FCC Better Monitor Competition in the Wireless Industry, available at <http://www.gao.gov/new.items/d10779.pdf>, at 20 (July, 2010).

CAF Positions and Proposals, cont'd.

6. The FCC should provide for more than one CAF auction winner per area in order to sufficiently accommodate consumer needs. Reverse auctions, a “race to the bottom,” will harm resulting service quality.
- ▶ Citizens need more than one telecommunications alternative. Modern businesses also require landline and wireless options, and some measure of control over the prices they will pay. Regional and small carriers provide lower cost options, unique geographic coverage, and calling plans designed to meet local needs.
 - ▶ Many consumers will only adopt low cost broadband.* Low cost service is most efficiently provided, with the best results for consumer empowerment, as a result of marketplace incentives, not a price controlled monopoly.
 - ▶ Reverse auctions are at risk of failing to support actual costs, thus disserving the public interest in reasonable service quality.
 - ▶ Moreover, reverse auctions are susceptible to manipulation by larger carriers that have strong incentives to underbid rural carriers for anticompetitive reasons,** but as a resulting monopoly, would not have strong incentives to provide the quality of service, coverage, pricing, or competitive spark these areas require.

* See NTIA's [February 2011 Digital Nation report](#) (of those rural consumers who do not reject broadband due to a perceived lack of need, 38.6% said broadband is “too expensive”).

** See Scott Wallsten, Reverse Auctions and Universal Telecommunications Service: Lessons from Global Experience, Fed. Comm. L. J., 61:373, 387, 394 (April 2008).

CAF Positions and Proposals, cont'd.

7. Only CETCs previously designated in proceedings similar to those employed at present should be eligible for CAF support.
 - ▶ The current process of thorough, evidence-based proceedings is designed to ensure eligibility is granted only to carriers with need for the support to provide service in the public interest. The public deserves similar analysis for future entry of supported carriers. Carriers who already have eligibility should not be required to go through lengthy proceedings a second time.
8. Excessive paperwork burdens and unusual financial disclosures for privately held companies would reverse market benefits of the Commission's Section 332 preemption/forbearance for CMRS carriers.
 - ▶ In an action that succeeded, the Commission paved the way for an industry of nimble innovators, not expensive bureaucracies.
9. If legacy high-cost support is shifted to broadband, current high-cost support for CETCs should be phased down over the same phase down period applied for incumbent carriers. The timing of phase downs and glide paths should not disadvantage one class of carriers.

* GAO Report, Telecommunications, *supra* (July, 2010).

CAF Positions and Proposals, cont'd.

10. The Broadband Mobility Fund must receive sufficient, continuous support.

- ▶ Regional carriers invest more capital in their networks than larger carriers, as a percentage of service revenue.* This diligence, and its value to the national economy, should be recognized, not penalized.
- ▶ A [2008 CostQuest study](#) estimated the cost of deploying 3G at approximately \$22 billion. The Commission's staff estimated the cost of wireless broadband deployment in underserved areas at approximately \$30 billion. Unfortunately, the proposed \$100–\$300 million is simply insufficient.
- ▶ **Operating and maintaining networks is critical.** To avoid stranding investment by deploying towers that then cannot be maintained, ongoing funding is necessary. These systems serve areas without sufficient subscriber revenues. The mobility fund must support ongoing costs of operations and maintenance in order to protect consumers' interests in adequate service and the jobs of hundreds of thousands of hardworking employees. Section 254(e) of the Act still requires that universal service support must be “sufficient.” 47 U.S.C. § 254(e).

* GAO Report, Telecommunications, *supra* (July, 2010).

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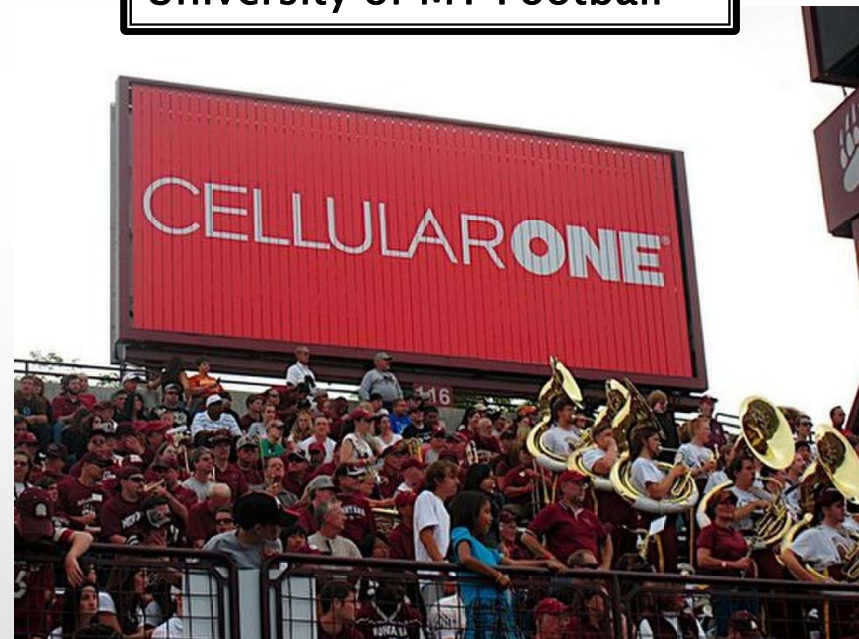
Company Snapshots



Ribbon Cutting with Chamber of Commerce and TX Workforce Commission at Cellular One Texas Call Center

American jobs – bilingual employees meeting local needs

University of MT Football





Cellular One and the Clinton Oklahoma Chamber of Commerce – selling hot dogs at Rodeo Parade to raise funds for high school students





We live in the
communities we serve



Volunteering – NamiWalks
Team MT – 2010



MT Engineers – Infrastructure Jobs



Routine preventive maintenance: field engineers snowmobile through a MT avalanche zone to replace BB2F (transmitter controller card). Whitefish – Kalispell BTA. Elevation: 4,166 feet.





Our engineers navigate using not only maps, but also – since landmarks are often covered in snow, as with this half-buried signpost – using stars and compasses.

Going the extra mile to provide reliable service

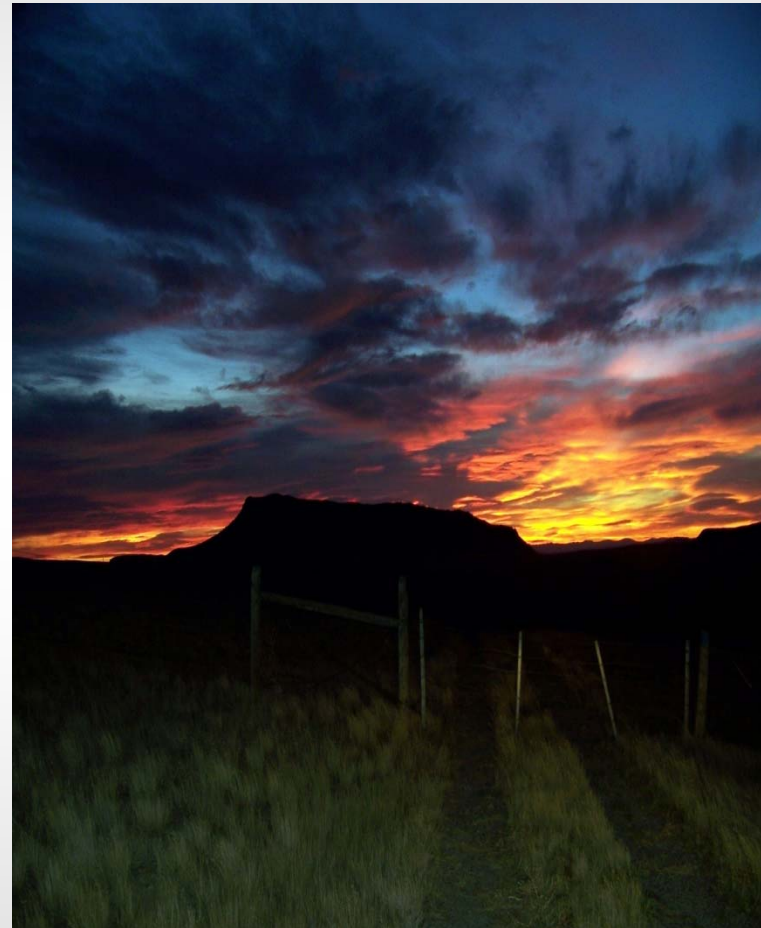




Cellular One engineers snowshoe
to “Hightop” cell site

Elevation: 6,629 feet

Central Montana, South of Great Falls





Michael Wooldridge – Field Engineer
Hiking to a cell site southwest of
Great Falls

Elevation: 4,688 feet



Engineers maintaining
another Kalispell site

Elevation: 6,800 feet